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May 17, 2002

VIA ELECTRONIC FILING

Ms. Marlene Dortch
Secretary
Federal Communications Commission
445 12th St., SW, Room TWB-204
Washington, DC 20554

Re: Notice of Ex Parte Contact
FCC Seeks Comment On AT&T Request to Contribute to Universal Service
Based on Projected Revenues, CC Docket No. 96-45, DA No. 02-376

Federal-State Joint Board on Universal Service, CC Docket No. 96-45; 1998
Biennial Regulatory Review – Streamlined Contributor Reporting Requirements
Associated with Administration of Telecommunications Relay Service, North
American Numbering Plan, Local Number Portability, and Universal Service
Support Mechanisms, CC Docket 98-171; Telecommunications Services for
Individuals with Hearing Speech Disabilities and the Americans with Disabilities
Act of 1990, CC Docket No. 90-571; Administration of the North American
Numbering Plan and North American Numbering Plan Cost Recovery
Contribution Factor and Fund Size, CC Docket No. 92-237, NSD File No. L-00-
72; Number Resource Optimization, CC Docket No. 99-200; Telephone Number
Portability, CC Docket No. 95-116; and Truth-in-Billing and Billing Format, CC
Docket No. 98-170

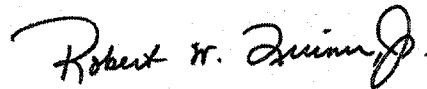
Dear Ms. Dortch:

On Thursday May 16, 2002, Joel Lubin and I met with Dan Gonzalez, Legal Adviser to Commissioner Martin, to discuss issues related to aforementioned dockets. We stressed the need for the Commission to permanently fix the universal service contribution mechanism by adopting a per connection assessment methodology consistent with AT&T's and other carrier's comments as soon as possible for implementation on January 1, 2003. We explained how that mechanism would work and also addressed how such a system would be entirely consistent with the act as well as prior Commission Orders.

In addition, we distributed a copy of AT&T's May 15, 2002 ex parte with respect to AT&T's *Request to Contribute to Universal Service Based on Projected Revenues*. We stressed the need for the Commission to grant AT&T's request to, on an interim basis, contribute to universal service based on projected revenues as a first step towards reforming the universal service assessment and collection mechanism. We highlighted the fact that the current assessment mechanism (which assesses AT&T, and consequently AT&T's customers, based on six-month old revenue data) results in AT&T's customers bearing a disproportionately higher share of the universal service contribution in the long distance marketplace. That fact is reflected in the current AT&T collection rate of 11.5% versus other carriers in the marketplace whose collection rates are significantly lower due solely to the fact that their interstate revenues are increasing. We reiterated that the current assessment mechanism, which bases assessment on (six-month old) interstate revenues, is irretrievably broken. AT&T's waiver would represent a first step at addressing the current inequitable mechanism, but that it should be only a first step.

One electronic copy of this Notice is being submitted in accordance with the Commission's rules.

Sincerely,

A handwritten signature in dark ink, appearing to read "Robert H. Quinn". The signature is fluid and cursive, with a large, stylized initial "R".

Attachment

cc: Dan Gonzalez

An Illustrative Attribution Analysis of the Current Federal USF Mechanisms

-- Assessment Vs. Recovery Rates

Quarterly Assessment Mechanism			
Baseline Assumptions:			
A	Contribution Factor	6.81%	As Published by the FCC/USAC Through FCC's Quarterly Public Notices
B	USF Assessment Base	\$ 100,000,000	As Reported By The Telecommunications Carrier To The USAC In Their Form 499Q. Note: Revenues Reported In A Carrier's 499Q Includes Their Interstate and International Retail Revenues <i>Plus Their USF Collection For Any Given Quarter.</i>
C = A * B	USF Obligation	\$ 6,810,000	Expected USAC's Quarterly Billing To That Telecommunication Carrier

Quarterly Recovery Mechanisms					
		Recovery Rate	Recovery Base	Recovered Amount	Remarks
D	No Lag/No Adjustments	6.81%	\$ 100,000,000	\$ 6,810,000	Recovery= Assessment
E	Line D Adjusted To Exclude USF Revenues	7.49%	\$ 90,909,091	\$ 6,810,000	Assuming historical recovery rate as 10% and non-USF revenue as R. Then $R + (R * .10) = \$100,000,000$ or $R = (\$100,000,000 / 1.1) = \$90,909,091$. ** SEE NOTE BELOW.
F	Line E Adjusted for Uncollectible Revenues	7.89%	\$ 86,363,636	\$ 6,810,000	Assuming 5% Uncollectibles -- USF charges will not be collected from 5% of the revenue base
G	Line F Adjusted for Declining Revenue Base (I.e. Lag Effect)	10.51%	\$ 64,772,727	\$ 6,810,000	Assuming revenues have declined by 25% over the past 6 months. As a result, USF obligation will be recovered from a smaller revenue stream.
H	Line G Adjusted for Unbillable Revevenues	11.68%	\$ 58,295,455	\$ 6,810,000	Assuming 10% Unbillables -- 10% of the revenue base can not be billed USF charges

**** NOTE:** A Telecommunication Carrier's Reported Revenue Included Their USF Collection During That Period. In Order To Estimate and Back-Out Those USF Revenues One Need To Use Their Recovery Rate For That Historical Period. For This Analysis It Is Assumed To Be 10%.

An Illustrative Attribution Analysis of the Current Federal USF Mechanisms

-- Assessment Vs. Recovery Rates

Quarterly Assessment Mechanism			
Baseline Assumptions:			
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C = A * B	USF Obligation	\$ 6,810,000	Expected USAC's Quarterly Billing To That Telecommunication Carrier

Quarterly Recovery Mechanisms -- WITH INCREASING REVENUE BASE					
		Recovery Rate	Recovery Base	Recovered Amount	Remarks
D	No Lag/No Adjustments	6.81%	\$ 100,000,000	\$ 6,810,000	Recovery= Assessment
E	Line D Adjusted To Exclude USF Revenues	7.27%	\$ 93,624,192	\$ 6,810,000	Assuming historical recovery rate as 10% and non-USF revenue as R. Then $R + (R * .0681) = \$100,000,000$ or $R = (\$100,000,000 / 1.0681) = \$93,624,192$. ** SEE NOTE BELOW.
F	Line E Adjusted for Increasing Revenue Base (I.e. Lag Effect)	6.06%	\$ 112,349,031	\$ 6,810,000	Assuming revenues have INCREASED by 20% over the past 6 months. As a result, USF obligation will be recovered from a HIGHER revenue stream.
G	Line F Adjusted for Uncollectible Revenues	6.38%	\$ 106,731,579	\$ 6,810,000	Assuming 1% Uncollectibles -- USF charges will not be collected from 1% of the revenue base
H	Line G Adjusted for Unbillable Revenues	6.38%	\$ 106,731,579	\$ 6,810,000	Assuming 0% Unbillables -- NO REVENUES SHOULD BE EXCLUDED FOR UN-BILLABLES

**** NOTE:** A Telecommunication Carrier's Reported Revenue Included Their USF Collection During That Period. In Order To Estimate and Back-Out Those USF Revenues One Need To Use Their Recovery Rate For That Historical Period. For This Analysis It Is Assumed To Be 6.81%.

USF AMOUNT OVER COLLECTED PER QUARTER BY THIS CARRIER IF THEY USE USAC's RATES OF 6.81% =	\$ 458,421
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